

Message Text

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ACTION XMB-04

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 OPIC-03
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 /056 W
-----142021Z 064876 /75
R 141430Z JUN 77
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 0947
INFO USDOC WASHDC

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PASS EXIMBANK FOR D.W. SHEPARD

E.O. 11652: N/A
TAGS: EFIN, UR, AR
SUBJECT: SOMISA/STEEL MILL EQUIPMENT

REF: (A) STATE 119741, (B) BUENOS AIRES 2775, (C) 74 BUENOS AIRES
A-143

1. THE SOMISA EXPANSION PLAN IS THE MOST
IMPORTANT CURRENT PROJECT IN THE ARGENTINE STEEL
INDUSTRY, THE PROJECT HAS BEEN UNDERWAY FOR QUITE
A FEW YEARS NOW AND IS INTENDED TO EXPAND THE
CAPACITY OF THE FIRM TO 4 MILLION METRIC TONS
PER YEAR WHICH REPRESENTS ABOUT 75 PERCENT ADDITION
TO THE COUNTRY'S CAPACITY FOR STEEL PRODUCTION.
IT IS ONE OF SEVERAL PROJECTS "PENDING COMPLETION"
FOR SEVERAL YEARS WHICH THE GOA HOPES FERVENTLY
TO BRING TO AN EARLY CONCLUSION.

2. SEE REFTEL (B) AND PREVIOUS FOR COMMENT
REGARDING PROJECT AND CURRENT CONTEST,
(WHICH WE NOW UNDERSTAND IS BY INVITATION ONLY
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WITH A OCT. 19, 1977 CLOSING DATE) AND DESCRIPTION
OF SOMISA'S EXPANSION PLAN. COPIES OF THESE
REFERENCES ARE BEING POUCHED TO EXIMBANK. WE
ESTIMATE RECEIPT IN TWO WEEKS. HOWEVER, BANK MAY
WISH TO OBTAIN COPIES FROM USDOC IN ORDER
TO AVOID DELAY.

3. EMBASSY CONFIRMS THAT LACK OF LOCAL FINANCING HAS STALLED INSTALLATION OF WIDE PLATE MILL DELIVERED FROM JAPAN. EQUIPMENT IS STILL CRATED. FOREIGN FIRMS INVITED TO PARTICIPATE IN BID CONTEST ARE: MITSUBISHI CORP, ITAH AND CO., AND MITSUI KUBOTA OF JAPAN; ITALIMPIANTI S.P.A. OF ITALY; VOEST ALPINE OF AUSTRIA; DAVY ASHOMORE INT. LTD OF THE UK; USS ENGINEERS AND CONSULTANTS, KAISER ENGINEERING ING. OF THE U.S.; FERROSTAAL/THYSSEN OF W. GERMANY.

4. ON THE SUBJECT OF FINANCING, MORE RECENT CONVERSATION WITH SOMISA OFFICIALS WOULD HAVE US BELIEVE THAT ALTHOUGH INCLUSION OF FOREIGN FINANCING FOR LOCAL WORKS IS STILL BEING SOUGHT AS PART OF A PACKAGE DEAL, SOMISA CAN COUNT ON GOA BACKING THROUGH THE BANCO NACIONAL DE DESARROLLO (BND) TO MAKE UP A PART OF ANY SHORTFALLS IN OBTAINING SUCH FINANCING, NOW ESTIMATED AT US\$ 240 MILLIONS WITH AN ADDITIONAL US\$ 110 FOR IMPORTED EQUIPMENT. BND INDICATES THERE PRESENTLY EXISTS AN "INFORMAL UNDERSTANDING" TO EXTEND SOMISA A US\$ 22 MILLION LINE OF CREDIT FOR LOCAL WORKS ON THE CONDITION THAT COMPLEMENTARY FINANCING FROM ABROAD BE OBTAINED, BND OFFICIALS, ALSO, EXPRESSED BELIEF THAT AN EXPANDED ROLE FOR BND AND/OR GOA PARTICIPATION ARE BEING DISCUSSED "AT HIGH LEVELS" WITHIN THE EXECUTIVE.

5. REGARDING SECOND STAGE EXPANSION ALLUDED TO IN PARA 2., REFTTEL (B), SOMISA INFORMS THAT THIS LIMITED OFFICIAL USE

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PLAN IS GOING THROUGH ANOTHER REVISION AND THAT HOPEFULLY A SIMILAR BID CONTEST WILL BE LAUNCHED LATE NEXT YEAR TO OBTAIN OFFERS FOR COMPLETION OF THIS PHASE.

6. COMMENT: GIVEN CURRENT SELF-IMPOSED GOA BUDGETARY RESTRICTIONS AND LIMITED RESOURCES OF BND AND OTHER OFFICIAL BANK, IT IS LIKELY THAT LION'S SHARE OF FINANCING FOR LOCAL WORKS WILL HAVE TO COME FROM OVERSEAS IF PROJECT IS TO GO AHEAD. GIVEN AMOUNT OF FUNDING REQUIRED (US\$ 350 MILLION) IT IS LIKELY THAT INTERESTED FIRMS SUCH AS FERROSTAAL WILL HAVE TO PUT TOGETHER A CONSORTIUM OF FIRMS AND BANKS OF VARIOUS NATIONALITIES. CHAPLIN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LOANS, PROPOSALS (BID), STEEL PLANTS, ROLLING MILLS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Sent Date: 14-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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